

BUSINESS CONDITIONS & FORECASTS

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AMERICAN MANAGEMENT ASSOCIATION, 330 WEST 42nd ST., NEW YORK, N. Y.

MAY 25, 1939
SEATTLE, WASHINGTON

The President's Scratch-Pad

§ Signs now present in industry point to the time when management will take a much broader approach to the entire problem of the science of human relations than it generally does at present. This new approach will encompass all the scattered industrial relations functions (employees, public, customers, etc.) which in many places are regarded as separate problems, and are dealt with as such.

§ One gains a better understanding of a company's human relations problem by thinking of the chart which automobile manufacturers supply to new car owners, showing the points which must be regularly oiled and greased. These points are where moving parts causing friction and heat will wear if a protective film is not applied.

§ If such a chart were drawn for a functioning industrial organization, it would help us realize the magnitude of the human relations problem in business; it would make us also realize that this problem cannot be successfully solved by concentrating on one aspect of it.

§ In many forward-looking concerns, the management has taken the broad approach to the question, considering it not as public relations taken alone, nor as industrial relations taken alone, but as one problem involving the same values and elements.

§ The administration of such a program requires a coordinator—a seasoned executive of perception who must operate through a master policy developed and agreed upon by all departmental heads. This executive is responsible for following up to see that the master policy is carried out in the various units. He thus has before him at all times a picture of the company in operation; his would be a total awareness that is rare among executives today.

§ Once this broad interpretation of human relations in business is realistically grasped by industrial leaders, it will be only a matter of time until tangible measures along these lines are taken by many companies.

Alvin E. Dodd

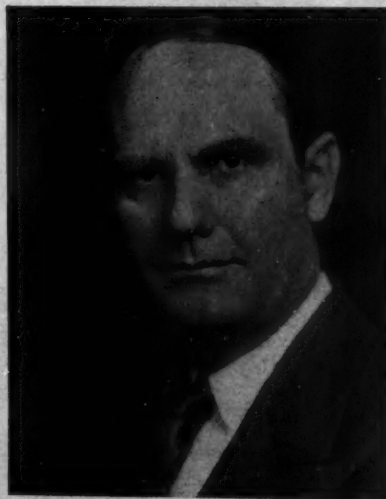
Annual Business Meeting of AMA On June 8

W. L. Batt to Be Guest and Speaker at Dinner Session

All members of AMA are urged to attend the Annual Business Meeting of the Association, which will be held at the Hotel Astor, New York City, Thursday evening, June 8. A special notice is enclosed with this copy of the NEWS LETTER, together with an addressed post card through which reservations can be made.

The meeting will convene at 5:30, when the business session will be held at which the annual report will be presented, new Board Members and Officers will be elected, and other matters required by the by-laws will be handled. The annual report will later be sent to all members.

W. L. Batt, President of SKF Industries and President of the International Management Congress, will be the guest of honor and speaker at the dinner following the business session. Mr. Batt, who is also a Director of the Association, will return from a trip abroad a few days before the meeting and will give his impressions of European conditions.



W. L. BATT

BUSINESS OUTLOOK

April and May Figures Down, But Better Tone Expected

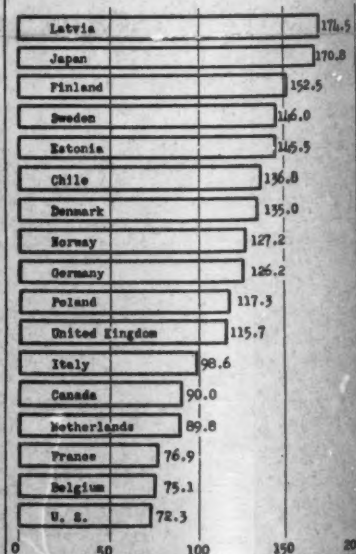
Summaries of comments on business conditions from the various statistical agencies indicate that business continues at a slow pace. Figures for April and early May show that business has passed through a period made discouraging by adverse factors both domestic and foreign. While many of these adverse influences are waning or have disappeared, others continue. The prolonged delay in the settlement of the coal strike, particularly, has aggravated the decline.

Some encouragement may be gained from the fact that conditions abroad have settled greatly. Also the building industry is steadily gaining ground and may well prove a stimulus for all industry.

That the United States has a long way to go before reaching a really healthy recovery will be better realized by examining the figures in the following chart of world production, in which the United States is at the very bottom of the list.

INDUSTRIAL PRODUCTION IN 1938

1929 = 100



(Cleveland Trust Company)

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General Outlook	After declining for four consecutive months, national income rose from \$4,552,000,000 in February to \$4,773,000,000 in March; the national income in March was 11.3% larger than in the same month last year, when it amounted to \$4,290,000,000 (May 13).	With intensified armament and deficit financing in England superimposed on the inflationary elements already so numerous here, the likelihood is that business will shortly expand again; industries already on the uprise include copper, brass, lead, zinc, tin, lumber, hides, rubber, gasoline, wheat, silk and wool (May 6-13).	On May 13 the index of business activity came down more than a point to 90.5, the lowest figure since mid-September of 1938; however, it probably marks the low point of the decline and a recovery in carloadings during the next few weeks, now that the coal strike is over, will probably boost the <i>Business Week</i> index (May 20).
Money and Credit	As a result of the huge inflow of foreign gold, excess reserves have reached \$4,120,000,000, an unprecedented record; this means that even if the reserve requirements were raised to the legal limit, the banks could increase deposits by about \$20,000,000,000 without borrowing from the Federal Reserve Banks (May 6).	Indications are that money rates will remain low and bonds will continue steady to firm; the continual piling up of surplus funds in banks and institutions, coupled with the recent rise in prices of several commodities, are hints that deflationary forces may give way to inflationary trends (May 6).	Public spending is likely to be carried over into summer at a rate which is as satisfactory as the point of view of immediate trade for year 1939 as it is grave from the point of view of a healthy financial position for the year (May 20).
Security Markets	Technically, while the market recovery thus far rates as an intermediate recovery in a bear market, the pace of the decline has been broken; if there are reactions of consequence from current levels, the presumption is that they will not be great in extent (May 18).	The stock market continues to forge irregularly ahead; stocks are in a zone of undervaluation and, regardless of possible temporary setbacks, should anticipate anticipated business improvement (May 6-13).	Although security markets have been relatively free from European influence, prices have lost a good part of the recovery from the year's lows; U. S. Government securities continue their bull market course, reaching new highs for the second successive week (May 20).
Production	In steel, the poorest fundamental conditions this year have continued for the third consecutive week; consequently, the estimate of the annual normal demand for steel remains unchanged at 36.5% of capacity; actual output has declined for the sixth consecutive week to a new 1939 low of 47.0% of capacity (May 13).	Declining auto and steel operations but rising carloadings suggest that current business is mixed rather than bad; machine tool orders have steamed ahead in recent months, and gains are currently being scored in copper, zinc and lumber orders (May 6).	Automobile production and electric power output have recently registered improvement; ingot operations and crude oil output, on the other hand, show moderate declines (May 20).
Distribution	Department store sales in the U.S. in the week ended April 29 showed an increase of 6% over last year; General Motors reports sales of 132,612 cars to consumers in April, a decrease of 9450 from March, but an increase of 29,078 over the April, 1938, volume (May 13).	Statistics of retail sales indicate that ultimate consumption has held up well; during March, department store sales were 6.5% above those of March, 1938, while mail order sales (two houses) were 18.9% higher than a year ago (May 6-13).	The first months of the current year have been a banner period for mail order sales; while department store sales have held up, prices have lost a good part of the recovery from the year's lows; it is possible that May will witness the beginning of a decline; inventories, with few exceptions, are well deflated (May 20).
Construction	Building contracts in March showed a pronounced gain over the volume in the same month last year, thus promising manufacturing industries considerable support during the next several months (May 13).	Housing construction is displaying a vitality that is of the greatest promise for general business; not only are residential building contracts higher now than the peak of a few months ago, but in addition they are above the level prevailing at the time when business made its last previous high in 1937 (May 6).	Public works, and private residential building stimulated by the Federal Government's liberal credit terms, still promise a marked improvement in all supplying and all other trades this summer; though heavy construction have recently been declining, figures for planned construction have risen (May 20).
Agriculture	The quantity of farm products marketed during the first quarter of 1939 was slightly larger than in the same period last year, despite the fact that the volume in 1938 was higher than in any previous year; because of a lower price level, however, farm cash income from marketings declined in the first quarter (May 6).	During March, the seasonally adjusted index of farm income (on the basis of 1924-29=100) stood at 64.0, as compared with 60.0 a month ago and 67.0 in March, 1938 (May 6).	Spot cotton prices have pushed to new levels for the year and the month; they continued to be affected by the weather; prices have reacted from the recent low to a good crop weather set in (May 20).
Commodity Prices	In the week ended April 29, the price index of farm products showed no change from the previous week; the index of manufactured goods also showed no change; consequently, the purchasing power index remained at 71.6 for the fourth consecutive week; this is the lowest level since the recession began in 1937 (May 13).	Commodity prices were off early in April but scored gains late in the month which may well prove symptomatic of recovery forces raring to go; the index of raw commodities has been carried to the highest point since last autumn, and the prospects are that commodity prices will be strong (May 6).	Last month the sensitive commodity index dropped to a 10-month low, but in the weeks it has risen 4%; a spurt in business to hand-to-mouth inventories in May would probably boost prices further and signalize an upturn in general business (May 20).
Labor and Wages	Factory payrolls in March rose to the highest level since November, 1937; the payroll index, on the basis of 1923-25 as 100, was 86.8 in March, as compared with 85.4 in February and with the 1938 low of 70.6 last July; payrolls in March were 12.6% larger than in the same month last year, when the index was 77.1 (May 13).	Factory employment in March was 0.7% above February and 4.1% greater than in March, 1938; the index of factory payrolls (1923-25=100) stood at 86.8 during March, as compared with 85.4 in the previous month and 77.1 in March, 1938 (May 6).	With the coal-mining industry moving toward unionism than ever before, through shop contracts which cover all but a few mills, the CIO has initiated a big drive to organize Southern textile mills; at present mills are at least 80% non-union (May 20).
Foreign Trade and Conditions	As a result of the increase in industrial activity in the U. S. this year, American purchases of foreign materials have been larger than a year ago; during the first quarter of 1939, imports were valued at \$527,000,000 as against \$507,000,000 last year; gold and silver imports have also shown a sharp expansion (May 6).	While the European situation may not be free from occasional flare-ups in the future, the odds are rising against the outbreak of any real conflict; in England and the Continent, the stock and bond and foreign exchange markets reveal gains that leave little doubt as to the easing of the strain (May 13).	As a whole, business in Europe is making some headway; tension over the national situation has lessened in England; it is generally believed that Hitler is moving toward Danzig unless some move is revealed in the peace front now being made by London (May 20).

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S. cities, April, \$21,798,088,000, 12.8% below March, 0.6% above a year ago; Adjusted Insolvency Index (Failures) April, 60.8, compared with 61.1 in March and 63.2 a year ago (June).</p> <p>Security prices recovered but slightly from the sharp drops in the first part of April, and turnover was sluggish in early May; the volume of transactions in April was 20,246,238, as compared with 24,563,174 in March (June).</p> <p>Production in April fell below the March level; the chief curtailment, due to the strike, was in bituminous-coal output, while steel operations declined from a peak of 56.1 per cent of capacity in March to 48.6 per cent in the last week of April, and automobile output increased less than seasonally (June).</p> <p>During March the United States Trade Barometer rose 2.5% to 86.2 (preliminary), as compared with the February level of 84.1; one of the largest increases over a year ago was recorded in the Detroit region (June).</p> <p>The building industry continues active, although some decrease in volume was noted during the latest month; April building permits (215 cities) \$95,244,741, 19.8% below March, 12.3% above a year ago (June).</p> <p>Commodity prices, according to the Daily Index, were generally somewhat lower in April than in March, but showed an upward trend during the first two weeks of May to the highest levels of the year to date (June).</p> <p>The usual seasonal decline in employment and payrolls occurred during April, after the spring peak in clothing and leather goods which was reached in March; only stone, clay, glass, and wood products groups registered noticeable gains (June).</p>	<p>Business activity in many lines has been flattening out in recent weeks; probably we must reconcile ourselves to the prospect that business will continue to operate cautiously, and to postpone new enterprises, as long as the fears of war continue to add their restraining influence to the dubious outlook for profits (May 15).</p> <p>Earnings reports are moderately encouraging; reports of 305 leading industrial corporations show that in the first quarter of this year they made net profits of about \$206,000,000—more than twice as much as they earned in the first quarter of 1938, and only 15% under the final quarter of last year (May 15).</p> <p>Many students of the stock market have concluded that the recent downward movement of stock prices indicates that a new bear market is under way; that may prove to be the case, but if so it will be a most unusual development in the history of stock market cycles (May 15).</p> <p>The physical volume of industrial production was 24.2% below the computed normal level in January, 26.5% below in February, and 26.7% below in March; the April percentage will probably be about 29 below normal; the major manufacturing decline in April was that of iron and steel production (May 15).</p> <p>Industrial production in 1938 was substantially above the 1929 prosperity level in Latvia, Japan, Finland, Sweden, Estonia, Chile, Denmark, Norway, Germany, Poland and the United Kingdom; in the United States, on the other hand, production was only 72.3% of the 1929 level (May 15).</p>	<p>The industries making goods of everyday use are as active as could reasonably be expected, pending a broadening of the improvement; however, business spending and new investment will continue under restraint until there are good reasons in the domestic news or in foreign affairs for increased confidence (May).</p> <p>The outstanding influence in the money situation continues to be the acute tension in Europe and the consequent flight of capital and gold to the United States; the new high level attained by U. S. Government bonds during this critical period is evidence of the strength of the domestic credit situation (May).</p> <p>The bond market over the past month made an impressive showing, both as to stability and activity in new financing, being supported by the increasing surfeit of available funds; however, stock prices weakened from the middle of March to the second week of April, dropping to the lowest levels since last summer (May).</p> <p>New buying of raw materials and manufactured goods has been sluggish, and with unfilled orders tapering off, a number of industries have reduced their output moderately or failed to make anticipated seasonal gains; the drop in steel operations has been greater than expected, but cotton and woolen mills continue busy (May).</p> <p>The mail order companies and variety chains have been doing an exceptional business, and April department store sales were close to seasonal expectations; Sears, Roebuck sales in the four weeks ended April 23 were 22% over last year, and the best in the history of the company (May).</p> <p>Awards of building contracts continued to gain during late March and early April, and new residential contracts started during March were the largest since October, 1929; the volume of work contemplated appears to be the largest since 1929, and this holds encouraging promise of support to business (May).</p> <p>Government payments are holding farm income a little above last year, and the support given to consumer buying by such payments will not be diminished by foreign developments (May).</p> <p>Commodity buying policies have been conservative since last autumn, and some commodity markets now show that buyers are in need of supplies; there is good statistical evidence that manufacturers' stocks of raw materials, and commitments for them, are low, and the same is true of distributive channels (May).</p> <p>War or no war, it is likely that business here will receive some support, in the way of export orders, from the further growth in European armament expenditures; the British steel industry is again expanding toward capacity, and there are reports of steel orders coming this way (May).</p>

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S. cities, April, \$21,-798,088,000, 12.8% below March, 0.6% above a year ago; Adjusted Insolvency Index (Failures) April, 60.8, compared with 61.1 in March and 63.2 a year ago (June).</p> <p>Security prices recovered but slightly from the sharp drops in the first part of April, and turnover was sluggish in early May; the volume of transactions in April was 20,246,238, as compared with 24,563,174 in March (June).</p> <p>Production in April fell below the March level; the chief curtailment, due to the strike, was in bituminous-coal output, while steel operations declined from a peak of 56.1 per cent of capacity in March to 48.6 per cent in the last week of April, and automobile output increased less than seasonally (June).</p> <p>During March the United States Trade Barometer rose 2.5% to 86.2 (preliminary), as compared with the February level of 84.1; one of the largest increases over a year ago was recorded in the Detroit region (June).</p> <p>The building industry continues active, although some decrease in volume was noted during the latest month; April building permits (215 cities) \$95,244,741, 19.8% below March, 12.3% above a year ago (June).</p> <p>Commodity prices, according to the Daily Index, were generally somewhat lower in April than in March, but showed an upward trend during the first two weeks of May to the highest levels of the year to date (June).</p> <p>The usual seasonal decline in employment and payrolls occurred during April, after the spring peak in clothing and leather goods which was reached in March; only stone, clay, glass, and wood products groups registered noticeable gains (June).</p>	<p>Business activity in many lines has been flattening out in recent weeks; probably we must reconcile ourselves to the prospect that business will continue to operate cautiously, and to postpone new enterprises, as long as the fears of war continue to add their restraining influence to the dubious outlook for profits (May 15).</p> <p>Earnings reports are moderately encouraging; reports of 305 leading industrial corporations show that in the first quarter of this year they made net profits of about \$206,000,000—more than twice as much as they earned in the first quarter of 1938, and only 15% under the final quarter of last year (May 15).</p> <p>Many students of the stock market have concluded that the recent downward movement of stock prices indicates that a new bear market is under way; that may prove to be the case, but if so it will be a most unusual development in the history of stock market cycles (May 15).</p> <p>The physical volume of industrial production was 24.2% below the computed normal level in January, 26.5% below in February, and 26.7% below in March; the April percentage will probably be about 29 below normal; the major manufacturing decline in April was that of iron and steel production (May 15).</p> <p>Industrial production in 1938 was substantially above the 1929 prosperity level in Latvia, Japan, Finland, Sweden, Estonia, Chile, Denmark, Norway, Germany, Poland and the United Kingdom; in the United States, on the other hand, production was only 72.3% of the 1929 level (May 15).</p>	<p>The industries making goods of everyday use are as active as could reasonably be expected, pending a broadening of the improvement; however, business spending and new investment will continue under restraint until there are good reasons in the domestic news or in foreign affairs for increased confidence (May).</p> <p>The outstanding influence in the money situation continues to be the acute tension in Europe and the consequent flight of capital and gold to the United States; the new high level attained by U. S. Government bonds during this critical period is evidence of the strength of the domestic credit situation (May).</p> <p>The bond market over the past month made an impressive showing, both as to stability and activity in new financing, being supported by the increasing surfeit of available funds; however, stock prices weakened from the middle of March to the second week of April, dropping to the lowest levels since last summer (May).</p> <p>New buying of raw materials and manufactured goods has been sluggish, and with unfilled orders tapering off, a number of industries have reduced their output moderately or failed to make anticipated seasonal gains; the drop in steel operations has been greater than expected, but cotton and woolen mills continue busy (May).</p> <p>The mail order companies and variety chains have been doing an exceptional business, and April department store sales were close to seasonal expectations; Sears, Roebuck sales in the four weeks ended April 23 were 22% over last year, and the best in the history of the company (May).</p> <p>Awards of building contracts continued to gain during late March and early April, and new residential contracts started during March were the largest since October, 1929; the volume of work contemplated appears to be the largest since 1929, and this holds encouraging promise of support to business (May).</p> <p>Government payments are holding farm income a little above last year, and the support given to consumer buying by such payments will not be diminished by foreign developments (May).</p> <p>Commodity buying policies have been conservative since last autumn, and some commodity markets now show that buyers are in need of supplies; there is good statistical evidence that manufacturers' stocks of raw materials, and commitments for them, are low, and the same is true of distributive channels (May).</p> <p>War or no war, it is likely that business here will receive some support, in the way of export orders, from the further growth in European armament expenditures; the British steel industry is again expanding toward capacity, and there are reports of steel orders coming this way (May).</p>

Three Research Projects Under Way In Office Management Division

Plans for the development of a series of research projects by the Office Management Division of the AMA were made at a luncheon meeting of key people of the Division, on June 15 at the Association's headquarters. The committee, which is headed by C. L. Stivers, Office Manager of the Jewel Tea Company and Vice-President of the AMA Office Management Division, selected three subjects as suitable for research, out of a group that had been proposed by various members.

These subjects were: a survey of the methods of those companies that employ flexible office training programs; a study of certain selected office personnel practices; and a report by companies on the Dvorak keyboard for typewriters.

Those attending the meeting were: E. B. Gage, Supervisor, Office Equipment Standards, Western Electric Company, New York; Norman C. Firth, Managing Editor, *Dun's Review*, New York; John H. MacDonald, Budget Officer, National Broadcasting Company, New York; Coleman L. Maze, Associate Professor of Management, New York University, New York; M. C. H. Niles, Consultant in Management, Baltimore; H. A. Piper, Manager, Planning Division, E. I. du Pont de Nemours & Co., Wilmington, Del.; and John T. Sinkey, Assistant Treasurer, Central Hanover Bank & Trust Co., New York.

The study of flexible training programs designed to develop versatility in office employees will go forward immediately. It will first be determined what companies have such programs, and then more detailed study will be made of the various programs themselves.

The second project will attempt to supplement other surveys that have been made of office practices, and the initial step will be to select a certain number of practices which have not as yet been adequately surveyed. Such practices, it is believed, might be the employment of married women, the morning and afternoon rest and pick-up periods in offices, office suggestion systems, etc.

The study of the Dvorak keyboard will consist of reports on the experience with it by office managers who have tried it out or who will experiment with it in the next few months.

Binders Available For AMA Literature

Those AMA members who have not yet ordered binders for the various publications of the Association will be interested to know that these binders are still available and may be obtained by communicating with the Association headquarters. The binders are issued in seven imprints, six for the different divisions and one for the AMA periodicals, *THE MANAGEMENT REVIEW* and *PERSONNEL*. Priced at \$1.50 each, they are exceptionally sturdy and are of attractive design.

INSURANCE SESSIONS ATTRACT 300

(Continued)

President of the AMA, announced that the new Vice-President of the Insurance Division for the year 1939-40 would be Ralph H. Blanchard, of the School of Business, Columbia University. Mr. Blanchard is well known to the AMA Insurance Division, having been identified with it since its inception. He is well acquainted with insurance buyers and is the editor of a series of books on insurance.

Since the recent meeting took place, there have been several suggestions that this division of AMA hold an interim meeting sometime this fall. It has been urged that this consist of a one-day conference, probably in New York City. These suggestions have been taken under advisement, and decision will be made in the matter sometime later in the summer.

Typical of the free interchange of viewpoints that dominated all the sessions were the papers by Reginald Fleming, Insurance Manager of Commonwealth and Southern Corporation, and James H. Coburn, Vice-President of the Travelers Indemnity, who spoke on Boiler and Machinery Coverage from the standpoint of the insured and the insurer. Mr. Fleming pointed out what struck him as inconsistent in boiler and machinery insurance, such as the lack of protection given by an explosion policy for breakage of blades in the case of a turbine-driven fan, or the question of whether the function is impaired when the shroud rings of a turbo become loose. He questioned whether it was necessary to inspect unfired pressure vessels, suggesting that there insurance without an inspection was preferable. He also objected to the cost of inspection reports and further stated that companies should put out promotional rates. Mr. Coburn made various replies to Mr. Fleming, agreeing with him on some points and disagreeing on others.

Special Packaging Group to Meet

A meeting of a special packaging group interested in shipping container problems will be held at the Hotel Statler, Cleveland, on October 27. Anyone interested in further details about the sessions should write to Henry Howlett, Secretary of the AMA, at 330 West 42nd Street, New York City.

Wider Activities Planned For 1939-40 By AMA Divisions

A wider range of activities for the various AMA divisions will mark the 1939-1940 program of the AMA, according to present indications. It is expected that this increased activity will take two main directions: more frequent meetings in the divisions and definite research projects in various fields of management.

The Production Division, for example, is planning to hold two conferences, one in November and another in April. Raymond S. Perry, Vice-President of the Ingersoll Milling Machine Company and Vice-President of the AMA Production group, is now arranging for these conferences, which, while they will be held separately, will be planned as a unit, one to complement the other. When the planning committees of other divisions meet during the next few months, it is expected that they will discuss similar plans.

An example of the research activity is seen in the projects outlined by the Office Management Division and described elsewhere on this page. These projects will cover only those subjects which have not been studied in a similar way before or which have been insufficiently surveyed for present needs.

Annual Business Meeting Finds AMA Making Gains

AMA Divisional Vice-Presidents, Directors, and a large number of other members of the Association attended the Annual Business Meeting at the Hotel Astor on June 8 to hear a reading of the Annual Report by President Dodd and to discuss future plans for the Association.

In his report, Mr. Dodd was able to point to tangible progress made by AMA during the past 12 months. The highlights of the report were:

Four hundred and fifty-one new members have joined the Association.

AMA Conferences continue to attract attendance high in quality and number.

AMA publications circulated more widely and were improved in all respects.

The Research Bureau had one of the most active periods in its history.

Under the direction of the Finance Committee, the Association has kept well within a carefully planned budget, has paid off its debts, and has built up a substantial reserve.

A printed copy of the Annual Report will be sent to all members.